

Message Text

SECRET

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41

ORIGIN EA-09

INFO OCT-01 ISO-00 PM-04 SS-15 NSC-05 NSCE-00 SAJ-01 OMB-01

CIAE-00 INR-07 NSAE-00 L-03 TRSE-00 SSO-00 INRE-00

/046 R

DRAFTED BY OSD/ISA:MABRAMOWITZ:CHG

APPROVED BY EA - MR MILLER

EA/PHL -BAFLECK

P/M - JKIMBALL (DRAFT)

----- 096957

O R 101906Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY MANILA IMMEDIATE

INFO SECDEF WASHDC

JCS

CINCPAC

CINCPACAF

CINCPACFLT

CINCPACREPPHIL

CG 13THAF

S E C R E T STATE 171468

JOINT STATE/DEFENSE MESSAGE

E.O. 11652: GDS

TAGS: MARR, RP

SUBJECT: PHILIPPINE BASE NEGOTIATIONS; AFP MODERNIZATION
PLAN

REF: MANILA 9916

1. DOD HAS COMPLETED INITIAL COSTING OF THE PLAN PROVIDED
BY YOUR REFERENCED MESSAGE. DOD APPROACH TO PROBLEM WAS
TO DEVELOP ROUGH ORDER OF MAGNITUDE ESTIMATES IN MINIMUM
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POSSIBLE PERIOD OF TIME, RATHER THAN TO DEVELOP ESTIMATES

WITH AN ACCEPTABLE DEGREE OF ACCURACY FOR EACH INDIVIDUAL LINE ITEM. WE WOULD NEED WEEKS, RATHER THAN HOURS, TO DEVELOP A COST ESTIMATE BY LINE ITEM, WITH ACCEPTABLE DEGREE OF ACCURACY TO PERMIT RELEASE TO GOP.

2. WE WISH TO STRESS FOLLOWING POINTS:

(A) FURNISHING ESTIMATES IMPLIES NO COMMITMENT TO SELL OR GRANT ANY ITEM ON THE AFP LIST. WE MUST MAKE TH;S DETERMINATION ON A CASE-BY-CASE BASIS; THERE ARE SEVERAL ITEMS ON THE LIST WHICH WE CANNOT SELL OR GRANT WITHOUT INTER-AGENCY COORDINATION TO ADDRESS DEVIATIONS FROM EXISTING POLICY.

(B) THE ESTIMATES ARE VERY ROUGH AND YOU MUST TREAT THEM AS SUCH.

(C) THE ESTIMATES FOR THE MANUFACTURING AND NITRATION PLANTS EXCLUDE CONSTRUCTION AND PRODUCTION COSTS.

(D) ASSUMPTION USED IN PRICING CERTAIN ITEMS LITERALLY CHANGES ESTIMATE BY HUNDREDS OF MILLIONS OF DOLLARS. FOR EXAMPLE, SELF-PROPELLED HAWK DOES NOT EXIST AND WE DO NOT KNOW HOW TO PRICE IT. WE HAVE SUBSTITUTED TOWED IMPROVED HAWK AT \$540 MILLION FOR EIGHTEEN (18) BATTERIES.

3. SUBJECT TO THE ABOVE CAVEATS, ESTIMATED COST OF AFP PLAN BASED ON FISCAL YEAR OF PLACEMENT OF ORDER IS:

(MILLIONS OF DOLLARS)

FY 77.....	FY78	FY 79.....	FY 80 ...	FY81
\$1,300.0.....	\$900.0.....	\$650.0.....	\$400.0.....	\$350.0

4. WE WOULD LIKE MAAG ANALYSIS PHIL WISH LIST.

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NNN

Message Attributes

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